
Senate Budget and Fiscal Review—Wesley Chesbro, Chair
SUBCOMMITTEE NO. 1 on Education



Subcommittee No. 1
Chair, Jack Scott
Member, Bob Margett
Member, Joe Simitian

Monday, May 2, 2005
1:30 pm
Room 113, State Capitol
OUTCOMES

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ITEM 6360 COMMISSION ON TEACHER CREDENTIALING

ISSUE 1: April Finance Letter – Technical Adjustment (Consent Item)

Staff recommends approval of the following revision to the Governor's January 10 Budget, as proposed by the April 1, 2005 budget letters from the Department of Finance. This is a purely technical correction to the budget. No issues have been raised for this item.

1. Amendment to Item 6360-001-0407, Support, Commission on Teacher Credentialing (CTC). It is requested that Item 6360-001-0407 be amended as follows to reflect a technical change to the Administration and Distributed Administration amounts. This adjustment will correctly reflect the Administration and Distributed Administration costs associated with employee compensation and retirement adjustments included in the Governor's Budget. It is requested that Schedule 2 be increased by \$63,000 and Schedule 3 be reduced by \$63,000.

OUTCOME: Approved. (2-0)

ITEM 6360 COMMISSION ON TEACHER CREDENTIALING**ISSUE 2: Bureau of State Audit Report – Information Only**

DESCRIPTION: The Bureau of State Audits will present findings and recommendations from an audit of CTC's credentialing responsibilities published in October 2004. The Subcommittee may want to explore recommendations that could result in cost savings without jeopardizing program and service quality.

BACKGROUND:

The Bureau of State Audits published its audit report of CTC -- *California Commission on Teacher Credentialing: It Could Better Manage Its Credentialing Responsibilities* – in October 2004. The audit was requested by the Joint Legislative Audit Committee. (See BSA Report Summary, Appendix A.)

According to the BSA's summary report, the CTC audit revealed the following overall findings:

- The commission could better evaluate the effectiveness of the programs it oversees and better measure the performance of the teacher credentialing process.
- The commission could take additional steps to improve its processing of credential applications, including focusing its customer service activities.
- Several areas of the commission's process for developing program standards lack structure and could be improved.
- The commission suspended its continuing accreditation reviews in December 2002 and is evaluating its accreditation policy, and it does not expect to present a revised policy to its governing body until August 2005.

In order to address these findings, the BSA report made nearly 18 separate recommendations for improving the commission's teacher credentialing functions. The BSA summarizes these recommendations as follows:

- To determine their success, the commission should establish performance measures for each of its teacher development programs.
- To better plan and evaluate its efforts, the commission should regularly update its strategic plan and when appropriate quantify performance measures for tasks, in terms of the results it aims to achieve.
- The commission should continue to consider ways to streamline the teacher credentialing process.
- The commission should improve application processing by better focusing its customer service efforts, analyzing application-processing data, requiring institutional customers to submit applications electronically to the extent that it is economically feasible, and encouraging more educators to renew their credentials online.
- To improve the process by which it develops program standards for college and university teacher preparation programs, the commission should develop an overall plan to guide its efforts to fully implement the act's requirements. This plan should describe

the commission's process for developing standards and should provide more structure for that process. Further, to ensure that colleges and universities meet these program standards, the commission should promptly resume its continuing accreditation reviews.

COMMENTS: According to the BSA, the commission agrees with many of the recommendations, with some qualifications, and disagrees with other findings for technical and other reasons. The Commission may wish to provide an update on implementation of recommendations since the audit. The Subcommittee might be interested in recommendations that could result in additional cost savings that can be applied to meeting the CTC's projected budget shortfall, as discussed in the following item.

ITEM 6360 COMMISSION ON TEACHER CREDENTIALING**ISSUE 3. CTC Budget Overview – Information Only**

Background: The Commission on Teacher Credentialing (CTC) was created in 1970 to establish and maintain high standards for the preparation and licensing of public school teachers and administrators. The CTC issues several different types of professional documents, authorizing the service of teachers, administrators and other school personnel in California's public schools. These documents include various credentials, emergency permits, credential waivers, and certificates.

The CTC currently receives more than 223,000 applications for credentials, emergency permits and credential waivers. As indicated below, the number of applications has grown in recent years. However, due to the economy and budget hardships facing schools, the CTC is experiencing a continuing drop in credential applications in the current year.

	2000-01	2001-02	2002-03	2003-04	2004-05
Credential Applications Received^a	215,954	239,501	250,701	235,327	221,000
Waiver Applications Received	7,865	7,918	5,144	2,827	2,000
Total	223,819	247,419	255,845	238,154	223,000

^aIncludes emergency permits.

Governor's Budget: As indicated by the summary table below, the Governor's Budget proposes \$57.0 million for the CTC's budget in 2005-06. Of this total, \$31.8 million (56 percent) is funded from the General Fund (Proposition 98) in the budget year. This funding is tied to the administration of three local assistance education programs – the Alternative Certification Program, Paraprofessional Teacher Training Program, and Teacher Misassignment Monitoring Program. The Administration proposes to eliminate remaining funding for the Pre-Intern Program in 2005-06, as this program is being phased-out since it does not meet NCLB requirements for Highly Qualified Teachers.

3-YR EXPENDITURES AND POSITIONS (Summary of Program Requirements)						
<i>(Dollars in Thousands)</i>						
	Positions			Expenditures		
	2003-04	2004-05	2005-06	2003-04	2004-05	2005-06
Certification, Assignment and Waivers	71.4	65.6	59.9	\$ 9,002	\$ 8,099	\$ 8,115
Professional Services	33.7	31.6	31.6	50,776	47,044	43,641
Professional Practices	27.9	27.6	27.6	4,534	5,054	5,254
Administration	37.2	33.3	33.3	6,642	4,793	4,692
Distributed Administration	-	-	-	-6,642	-4,793	-4,692
TOTALS, POSITIONS AND EXPENDITURES (All Programs)	170.2	158.1	152.4	\$64,312	\$60,197	\$57,010

3-YR EXPENDITURES AND POSITIONS (Summary of Program Requirements)						
<i>(Dollars in Thousands)</i>						
	Positions			Expenditures		
	2003-04	2004-05	2005-06	2003-04	2004-05	2005-06
Funding						
General Fund				\$ -	\$ 3,500	\$ -
General Fund, Proposition 98				37,640	31,814	31,814
Teacher Credentials Fund				15,355	14,763	15,049
Test Development and Administration Account, Teacher Credentials Fund				10,869	9,734	10,147
Federal Trust Fund				448	147	-
Reimbursements				-	239	-
TOTALS, EXPENDITURES, ALL FUNDS				\$64,312	\$60,197	\$57,010

Another \$25.2 million (44.2 percent) of the CTC budget is funded by two special funds that support the CTC's state operations budget. In the budget year, the Governor's Budget appropriates \$15.0 million from the Teacher Credentials Fund and \$10.1 million from the Test Development and Administration Account.

The Teacher Credentials Fund is generated by fees for issuance of new and renewed credentials and other documents. For example, the CTC currently charges \$55 for a new or renewed teaching credential. The Test Development and Administration Account is generated by various fees for exams administered by the CTC such as the California Basic Educational Skills Test (CBEST), California Subject Examination for Teachers (CSET), and the Reading Instruction Competence Assessment (RICA).

ITEM 6360 COMMISSION ON TEACHER CREDENTIALING**ISSUE 4. Special Fund Deficiencies and Options for Assuring CTC Solvency**

DESCRIPTION: The Governor's January budget for the Commission on Teacher Credentialing estimates essentially no funding balances for the two major special funds that support the commission – the Test Development and Administration Account and the Teacher Credential Fund in 2005-06. New information, available since January, indicates that both funds are facing structural imbalances in 2005-06. According to CTC, the Test Development Account will have an imbalance of \$975,000 and the Teacher Credential Fund will actually have a deficit of \$2.6 million. Absent actions to address these imbalances, the CTC budget overall will be facing a budget shortfall of approximately \$3.6 million. In response, the Administration and LAO have called upon CTC to develop options for improving the commission's solvency.

Special Fund Deficits and Agency Shortfall.

The Governor's Budget proposes a budget of \$57.0 million for the CTC in 2005-06. Most of the revenues for the CTC's operations are derived from two special funds -- the Test Development and Administration Account and the Teacher Credential Fund. In recent years, there has been a great deal of fluctuation in revenues from these two funds; however, fund balances and programs have been maintained through loans between the two funds due to available reserves.

In a major change of events, the Governor's January budget predicted no reserves for either the Test Development Account or the Teacher Credential Fund in 2005-06, based upon November 2004 fund condition statements. New fund condition information from CTC now projects actual shortfalls in both funds. CTC estimates a \$975,000 imbalance for the Test Development Account and \$2.6 million deficit for the Teacher Credential Fund. Agency wide, this predicts a \$3.6 million shortfall for the CTC budget in 2005-06.

Several major reasons for the change of events include:

1. **Changes in Estimates for Test Development Account Reserves.** Fund condition statements for the Test Development and Administration Account did not reflect all testing expenditures against revenues. The \$9.3 million fund balance estimated in January 2004 – and utilized for the 2004-05 budget – dropped to \$2.3 million in November 2004. This change has prompted a great deal of concern and changes in the way CTC will account for revenue and expenditures as a part of its fund condition statement in the future. The bottom line is that predicted reserves for the Test Development Account were substantially lower than believed when the 2004-05 budget was enacted.
2. **Drop in Fees Due to Reductions in Credential and Testing Volume.** Credential volume and testing volume has been falling in recent years to reflect dynamics of the teacher workforce. This reduces revenues for both the Test Development Account and the Teacher Credential Fund. In particular, emergency permits, which are renewed annually

with fees, have dropped significantly in the last two years. While a welcomed policy change, this has lowered credential fee revenues.

3. **Reserves Have Masked Ongoing Structural Budget Deficit.** Since the later 1990s, the CTC has been operating within a revenue structure whereby annual expenditures exceeded annual revenues for the two special funds. However, because of account reserves, the CTC did not have to address these structural problems.
4. **Reduction in Teacher Credential Fees.** Statute authorizes credential fees of \$70; however, due to growing reserves in the Teacher Credential Fund in the late 1990s, the Legislature dropped fees – first to \$60 and later to \$55. This has substantially reduced revenues for the commission over the last five years.
5. **Exam Fees Lagging.** Under statute, CTC can set its exam fees for new tests. According to CTC, exam fees have not been raised in three years.

Governor's Budget Options. The Governor's January budget contained two initial proposals for the CTC budget. Due to new information on the special fund balances for CTC in both the current and budget year, it is likely that the Administration will have additional proposals at May Revise.

- ***Teacher Credentialing Service Improvement Project (TCSIP) Savings from University Application Automation and Online Renewal.*** The Administration proposes that all public and private colleges and universities that have teacher preparation programs that have been accredited by the Commission on Teacher Credentialing be responsible for approving and electronically submitting all credentialing applications for their students. The Administration also proposes that CTC increase its online credential renewals. Once implemented, these changes are estimated to result in a substantial workload reduction for the CTC and will better ensure that applications for new teachers are processed in a timely manner. In anticipation of these savings, the Administration proposes to reduce \$600,000 and 6.0 positions for the Teacher Credentialing Service Improvement Project (TCSIP) in 2005-06. This includes \$228,000 in savings for the 6.0 positions and \$350,000 in unallocated reductions associated with a 50 percent increase in online renewals. These reductions would decrease expenditures from the Teacher Credentials Fund in 2005-06.
- ***Loan from Test Development Fund to the Teacher Credential Fund.*** The Governor's budget proposes a \$1.9 million loan from the Test Development Account to the Teachers Credentials Fund. Given that the Test Development Account is now predicted to have a \$975,000 shortfall in the budget year, the Administration will most likely revise this proposal at May Revise. The Governor's Budget assumes a \$300,000 loan from the Test Development Account to the Teacher Credentials Fund in the current year. According to the Department of Finance, this loan will need to be increased to \$652,000.

LAO Options: The LAO initially recommended that the Legislature consider three options for maintaining the solvency of the fund. Given new information on the CTC special fund balance, the LAO may update the following recommendation at the Subcommittee hearing.

- ***Increase the Credential Application Fee.*** According to the LAO, a \$5 increase in the application fee would raise revenues by \$1.1 million. The Legislature may want to consider more than a \$5 increase in 2005-06 or 2006-07 in order to establish prudent fund reserves.
- ***Automate or Devolve Credentialing Authority.*** The LAO suggests consideration of the Governor's budget proposal to allow accredited, university-run teacher preparation programs to pre-approve credential applications so that CTC could grant the credential without further review. CTC currently evaluates more than 50,000 applications from universities, so the LAO estimates considerable savings from this proposal. The LAO also suggests consideration of a similar pre-approval process for district-run teacher preparation programs and community college child development programs. CTC currently reviews approximately 10,000 child development permits alone, so this change could also generate additional savings.
- ***Pursue Additional Efficiencies.*** The LAO suggests that the Legislature consider options identified by CTC that hold promise for achieving efficiencies and savings. For example, the 2004-05 Budget Act required CTC to submit a report to the Legislature and DOF that identified "feasible options" for reducing credential processing time in 2005-06. The CTC identified the five options, which are intended to reflect recommendations in the BSA report.

CTC Options: While the Administration and LAO have developed initial budget options to reflect information and assumptions available for the Governor's January 10 budget, these options are considered preliminary in light of new information that predicts a serious budget shortfall in the CTC budget in 2005-06. As a result, both agencies have called upon CTC to develop proposals for addressing these budget problems.

In response, CTC staff has developed nearly 30 budget options for consideration by the commission. These options include both savings and revenue proposals. The commission approved 23 of these options at their meeting last month. Another six proposals were considered at the April meeting, but not approved. (See Appendix A for summary prepared by CTC.)

All together, options adopted by the approved by the commission would produce an estimated \$1.7 million in savings and \$2.5 million in new revenues. If all are adopted, these options could eventually provide \$4.2 million toward a budget solution for CTC. Not all of these options would produce savings in 2005-06 and several of the proposals that produce the largest savings or revenues are the most controversial.

The options approved by the commission are listed below. Subcommittee staff has grouped options according to the level of controversy for stakeholders – as expressed by stakeholders at the commission meeting when these proposals were considered and approved.

	Proposal	Savings	Revenues	Comments
	Non-Controversial			
1	Eliminate printing of the Application for Character and Identification Clearance	\$11,000		
2	Eliminate printing of the Professional Growth Manuals	\$9,000		
3	Eliminate printing of Certificates of Clearance	\$8,000		
4	Eliminate Public Counter Services and redirect staff to credentialing	Re-Direct 720 Hours		
5	Reduce Data Research and redirect staff to credentialing	Re-Direct 1,000 Hours		
6	Eliminate program review position following the adoption of new Credential Program Standards	\$115,000		
7	Eliminate production of Annual Report, Newsletter	\$20,000		
8	Postpone adoption of a Mild/Moderate Special Education Exam	0		Cost avoidance.
9	Eliminate full Administrative Hearing Process for lower levels of discipline			Est. savings per case: \$20,000 - \$100,000
10	Eliminate all certified mailing requirements	\$11,000		
11	Eliminate paper copies of the All Points Bulletin	\$20,000 - \$25,000		
12	Streamline investigative process for first time applicants	\$14,804		
13	Charge for probation monitoring		\$30,000	
14	Eliminate reimbursement to Ex-Officio Members	\$14,000		
15	Consolidate two CEA positions into single position	\$113,000		Implemented
16	Authority reduction for the Facility Lease Payment reduction	\$180,000		Implemented
17	Eliminate Technical Project Management Support position and redirect functions to other divisions.	\$95,000		
	Somewhat Controversial			
18	Charge fees for the School Leaders License Assessment (SLLA) and the Teaching Foundations Exam (TFE)		\$90,000	
19	Reduce number of Commission meetings	\$8,000 - \$16,000		
	Controversial			
20	Eliminate the liaison services to COEs and IHEs and redirect staff hours to credentialing	Re-Direct 2,600 Hours		
21	Charge IHEs for program review and accreditation		\$413,000	Shifts costs to IHEs. Governor proposed in 04/05; rejected by Legislature.
22	Request exception to requirement for Attorney General representation at CTC Administrative Hearings and add five legal positions to provide services in-house.	\$927,000 (2006-07 forward)		Other state agencies have statutory exceptions.
23	Establish separate discipline fees		\$2,009,750	Currently costs spread among all credential holders.
	TOTAL	\$1,658,000	\$2,542,750	

Fee Proposals Not Considered by the Commission.

The Commission has not considered proposals to raise either credential fees or testing fees for applicants and teachers. While the commission has the authority to raise fees, it reportedly is waiting for signals from the Administration and Legislature about the expenditure reduction and revenue enhancement proposals it approved last month.

COMMENTS: The size of the CTC budget shortfall is estimated at \$3.6 million in 2005-06. If all of the budget reduction and revenue enhancements adopted by the commission were implemented, the CTC could essentially achieve a balanced budget in 2005-06. Options approved by the commission to date would reduce CTC's costs by \$1.7 million and raise revenues by \$2.5 million. However, not all savings would be realized in 2005-06. In addition, these proposals assume some loss in services, cost shifts, and new fees for applicants and teachers that are controversial for some stakeholders.

Alternatively, the Legislature could consider increasing exam fees, since the fees have not been raised for three years. The realm of fee increases the commission would likely consider could produce funding to meet the Test Development Account imbalance of \$975,000.

In addition, the Legislature could increase the credentialing fee by at least \$10 – from the current \$55 to \$65, which is still below the \$70 as authorized in statute. According to CTC, this would raise \$2.2 million (\$1.1 million for every \$5 increase). A slightly higher increase would be needed to cover the \$2.6 million deficit predicted for the Credential Fund.

Lastly, the Legislature may want to consider a combination of CTC approved expenditure and fee increases, as well as, increases in exam fees and teacher credential fees.

RECOMMENDATION: Staff recommends that the Subcommittee request that the LAO identify, prior to May Revise, a range of options that address the CTC budget shortfall in 2005-06, utilizing the most up-to-date fund condition statements for the Testing Development Account and Teacher Credential Fund.

OUTCOME: No action. Subcommittee requested that the LAO develop options to reflect funding alternatives within next couple of weeks.

ITEM 6110 DEPARTMENT OF EDUCATION**ISSUE 5: April Finance Letter – Federal Funds Update (Consent List)**

Staff recommends approval of the following revisions to the Governor's January 10 Budget, as proposed by the April 1, 2005, budget letters from the Department of Finance.

No issues have been raised by any of these items. Federal funds adjustments are intended to update budget appropriation levels so they match the latest federal estimates and utilize funds consistent with current policy.

Federal Funds Adjustments

1. **6110-102-0890, Local Assistance, Learn and Serve America Funding (Issue 801).** It is requested that this item be reduced by \$283,000. This reduction will align expenditure authority with available federal grant funding.
2. **6110-119-0890, Local Assistance, Neglected and Delinquent Children Program (Issue 322).** It is requested that this item be reduced by \$109,000 to align the appropriation authority with the anticipated federal grant award amount.
3. **6110-123-0890, Local Assistance, Title V Innovative Programs (Issue 163).** It is requested that this item be decreased by \$10,226,000 to make the amount consistent with the federal Title V Innovative Programs grant estimated for 2005-06. These grant funds are provided to districts to develop and implement innovative education programs intended to improve school, student, and teacher performance, including professional development activities.
4. **6110-125-0890, Local Assistance, Migrant Education and Education of Limited English Proficient (LEP) Programs (Issues 323 and 325).** It is requested that Schedule (1) of this item be reduced by \$217,000 and Schedule (2) of this item be reduced by \$6,583,000 to align appropriation authority with the anticipated federal grant award amount.
5. **6110-126-0890, Local Assistance, Reading First Program (Issue 641).** It is requested that this item be increased by \$778,000 in order to align appropriation authority with the anticipated federal grant award amount.
6. **6110-136-0890, Local Assistance, Title I Basic and McKinney-Vento Homeless Children Education Programs (Issues 329, 334, 725, and 726).** It is requested that Schedule (1) of this item be increased by \$20,616,000. This adjustment includes an anticipated increase in the Federal Title I Basic Grant federal grant award amount of \$17,574,000 and transfer of \$500,000 from state operations to local assistance to be allocated on a formula basis to local education agencies for the academic improvement of disadvantaged students. This increase also includes a reduction in the Even Start Program of \$3,520,000 in order to align appropriation authority with the anticipated

federal grant award amount and an increase in the Even Start Program of \$6,062,000 to provide carryover authority for unspent prior year funds to be allocated as follows: \$266,000 from the technical assistance grant portion for professional development at the local level; \$2,900,000 for a ten percent increase to existing projects to enhance Early Childhood Education components and to provide training for teachers in meeting the No Child Left Behind Act (NCLB) requirements; \$2,800,000 to offset the reduction in the 2005-06 federal grant allocation to the Even Start program. It is further requested that Schedule (2) of this item be increased by \$123,000 for the McKinney-Vento Homeless Children Education program. These funds will be allocated on a competitive basis to provide grants for homeless child education. The program allows students who become homeless to continue attending the same school by providing a district liaison or transportation when necessary.

7. **6110-137-0890, Local Assistance, Rural/Low-Income School Program (Issue 331).** It is requested that this item be reduced by \$1,333,000 to align the appropriation authority with the anticipated federal grant award amount.
8. **6110-180-0890, Local Assistance, Education Technology Program (Issue 643).** It is requested that this item be decreased by \$26,565,000 to reflect a decrease in federal funding for the Education Technology Program. The federal budget proposes to eliminate state grants for Education Technology by 2006-07. It is further requested that Provisions 1 and 2 of this item be amended to conform to these changes.
9. **6110-183-0890, Local Assistance, Safe and Drug Free Schools and Communities Program (Issue 481).** It is requested that this item be decreased by \$10,335,000. Specifically, the proposed budget adjustment is the result of: (1) a base decrease of \$10,835,000 in the federal grant for Safe and Drug Free Schools and (2) a one-time carryover of \$500,000 from unused funds. This grant program provides funds to local education agencies for drug and violence prevention and intervention services.
10. **6110-193-0890, Local Assistance, Mathematics and Science Partnership Grant Program (Issue 644).** It is requested that this item be increased by \$3,896,000 in order to align appropriation authority with the anticipated federal grant award amount. Consistent with current policy, these funds will be used to provide additional competitive grant awards to institutes of higher education and low-performing schools to provide staff development and curriculum support for mathematics and science teachers.
11. **6110-195-0890, Local Assistance, Improving Teacher Quality Local Grant Program (Issue 645).** It is requested that Schedule (1) of this item be reduced by \$1,488,000 in order to align appropriation authority with the anticipated federal grant award amount.

OUTCOMES: Approved list, excluding Issues 6 and 8. (2-0)

ITEM 6110 DEPARTMENT OF EDUCATION**ISSUE 6: April Finance Letter – Other Adjustments**

DESCRIPTION: The April Finance Budget Letter proposes four assorted changes to state operations and local assistance budget items for the Department of Education.

BACKGROUND: The Governor proposes the following five budget changes in the April Budget Letter that involve adjustment to address: (1) technical adjustments to align appropriations with program needs and funds available and (2) fund legal claims.

1. **6110-001-0890, State Operations -- Public Schools Accountability Act Evaluation (Issues 165).** It is requested that this item be reduced by \$500,000 and that the requirement to conduct the biennial evaluation of the Public Schools Accountability Act be deleted since it would duplicate the existing evaluation of the High Priority Schools Grant Program. This action requires conforming statutory changes.
2. **State Operations -- Provisional Language for Principal Apportionment System Rewrite (Issue 081).** Proposes that provisional language be added to Item 6110-001-0001 to provide carryover authority for the principal apportionment system rewrite (PASR). At the beginning of 2004-05, a total of \$143,000 remained unexpended. CDE has encumbered a contract for staff training and maintenance of the new system with these funds, which otherwise will revert June 30, 2005. Provisional budget language is also requested to allow unexpended funds appropriated for PASR in prior years to remain available in 2005-06 and 2006-07 for expenditure for a contract for staff training and maintenance of the new apportionment system.
3. **State Operations -- Donated Food Revolving Fund (Issue 651).** Proposes an increase of \$300,000 due to the authorization of a shipping fee increase by the United States Department of Agriculture (USDA). This additional revenue will be used to pay for shipping fees and to provide other food distribution services.
4. **Local Assistance -- Reduce Reimbursement Authority for the Child Nutrition Program (Issue 652).** Proposes a reduction in reimbursement authority of \$2,652,000 for the Child Nutrition program. CDE did not receive \$2.0 million in anticipated funding from the Vitamin Case Consumer Settlement Fund. An additional \$652,000 originally authorized for the Linking Education Activity and Food pilot program is eliminated since the program has been completed.
5. **Local Assistance -- Reappropriation (Proposition 98) Sunnyvale Desegregation Claim (Issue 321).** Proposes increased funding of \$1,455,000 above the January budget - - for a total reappropriation of \$6,385,000 -- in order to properly account for the principle and compounded interest accrued for desegregation costs to Sunnyvale School District for fiscal years 1983-84 through 1991-92. The Victims Compensation and Government Claims Board found in favor of the claimant for \$6,385,000 for repayment of claims and

for compounded interest. Proposed budget language would require that funds be reverted if an appropriation is also included in a Victims Compensation and Government Claims Board Claims Bill.

LAO Position:

RECOMMENDATION: Staff recommends approval of these five budget revisions proposed by the April DOF budget letter.

OUTCOME: Approved. (2-0)

ITEM 6110 California Department of Education**ISSUE 7: State Operations – Various Positions**

DESCRIPTION: The Governor proposes a number of staffing adjustments – increases and decreases – that are included in the Governor’s January 10 budget and the April 1st DOF budget letter. Specifically, the Governor proposes to increase staffing at the Department of Education by a net total of 15.6 permanent positions. Some of these increases reflect the conversion of limited-term positions to permanent positions. The Governor also proposes other adjustments to several limited-term positions.

BACKGROUND:

The Governor proposes the following staffing adjustments for the Department of Education:

- 1. Ongoing Funding for Williams Settlement Legislation (\$200,000 Increase/1.9 Positions).** Proposes \$200,000 in General Funds to continue funding to support 1.9 positions for implementation of state level activities pursuant to the requirements of the Williams settlement lawsuit. SB 550, as enacted in 2004, created new responsibilities for the Department of Education that were funded in 2004-05. (January Budget)
- 2. Various Limited Term Positions (\$433,000 Reduction/4.7 Limited-Term Positions).** Proposes to remove \$433,000 in federal funding for 4.7 limited-term positions and expiring programs. (January Budget)
- 3. Federal Career-Technical Education Accountability System (\$170,000 Increase/Two Limited-Term Positions).** Proposes \$102,000 in General Fund and \$68,000 in federal funding to extend two federal career-technical education positions. These positions are proposed as one-year limited-term positions for the collection and management of data necessary to meet federal reporting requirements for career-technical education. (January Budget & April Letter Issue 806)
- 4. Special Education - Non-Public Schools Monitoring (\$832,000 Increase/5.7 Positions).** Proposes an increase of \$232,000 in federal special education funds and \$600,000 in fees to improve state monitoring of non-public schools serving students with disabilities. AB 1858, as enacted in 2004, doubled reimbursement fees charged to non-public schools and included reforms to improve the quality and frequency of state monitoring reviews of non-public schools. (January Budget)
- 5. Charter School Staff (\$242,000 Increase/Three Positions).** Proposes \$242,000 in federal charter school funds to convert three limited-term staff positions into permanent positions within the Charter Schools Division. (January Budget)
- 6. Fiscal Accountability (\$68,000 Increase/One Position).** Proposes \$68,000 in federal funds to provide an additional staff position to support local education agency financial reporting. (January Budget)

7. California English Language Development Test (\$100,000 Increase/One Position). Proposes \$100,000 in federal funding for one Education Research and Evaluation Consultant to support additional workload for the California English Language Development Test (CELDT). This position will coordinate and provide psychometric and statistical assistance to district staff implementing the CELDT, and also ensure program compliance with federal NCLB - Title III requirements. (April Letter Issue 168)

8. Adequate Yearly Progress Determinations. (\$200,000 Increase/Two Positions). Proposes \$200,000 in federal funding for two Education Research and Evaluation Consultant positions to process and monitor statewide assessment data for determining school and district Adequate Yearly Progress and Program Improvement status. (April Letter Issue)

9. School Facilities Program (\$50,000 Increase/One Position). Proposes fee-based funding for one limited-term Field Representative-Specialist position set to expire December 31, 2005 and proposes that this position be converted to permanent to provide ongoing state operations support for the School Facilities Program. This position is funded through fees charged to school districts for approval of new school sites and review of building plans. (April Letter Issue 564).

COMMENTS: The April DOF Finance Letter for the Department of Mental Health proposes to appropriate \$633,000 in Proposition 63 (Mental Health Services Act) funding to the Department of Education. These funds are to be used for three limited-term positions and associated operating expenses and equipment costs related to the collaboration with DMH to implement the purposes of Proposition 63. Of this amount, \$250,000 is one-time funding for a contract to deliver mental health training to county and district school staff. The LAO recommends that the new positions be limited to two rather than three years, consistent with Government Code Section 19080.3 governing limited-term positions. SBFR Subcommittee #3 will take action on this item.

RECOMMENDATION: Staff recommends approval of the staffing adjustments listed above.

OUTCOME: Approved. (2-0)

ITEM 6110 California Department of Education**ISSUE 8: State Operations and Capital Outlay – State Special Schools**

DESCRIPTION: The Governor's Budget proposes new funding for capital outlay projects and transportation services for the State Special Schools, which serve visually and hearing-impaired students.

BACKGROUND: The State Special Schools include the California Schools for the Deaf in Fremont and Riverside and the California School for the Blind in Fremont. Students attending State Special Schools are served in residential or day programs. The two Schools for the Deaf provide instructional programs to more than 1,000 deaf students and the California School for the Blind provides instructional programs for approximately 130 blind, visually-impaired, and deaf-blind students.

Governor's Budget – Transportation Services. The Governor proposes an augmentation of \$963,000 in federal special education funds in 2005-06 to cover home-to-school transportation costs for students attending State Special Schools. Transportation is a related service under federal special education law and must be provided if it is necessary for the student to benefit from her or his education. Students who attend residential programs at the Schools come from all over the state and often travel long distances to attend residential programs. Transportation is expensive and has been increasing due to increases in gasoline and insurance prices.

Governor's Budget – Capital Outlay Projects. The Governor proposes two capital outlay projects for the State Schools in 2005-06. Specifically, the Governor proposes an augmentation of \$470,000 in General Funds to construct bus shelters at the California School for the Deaf and Blind in Fremont. The Governor also proposes \$16.5 million in lease-revenue bond funding to construct a new career and technical education complex at the California School for the Deaf in Riverside.

Special School Deficiencies. CDE has identified two significant, ongoing deficiencies facing the State Special Schools and has given top priority to these state operations expenditures in 2005-06. The first deficiency involves transportation costs and is addressed by the Governor's Budget proposal outlined above. The second deficiency involves unfunded salary increases – estimated at over \$1 million -- negotiated two years ago by the state bargaining unit that represents teachers at the State Special Schools, California Youth Authority, Department of Corrections, and State Hospitals and Developmental Centers. While the Administration provided budget increases to cover these salary increases in other state departments, these increases were not provided to the Special Schools. As a result, the Special Schools must provide the salary increases by reducing other programs and services at its campuses.

LAO Position: The LAO has no problems with the Governor's capital outlay proposals.

COMMENTS: In the past, transportation costs for the State Special Schools have been funded with Non-Proposition 98, state General Funds. The Governor's Budget proposes \$1.4 million in Non-98, General Funds for transportation services at the Special Schools in 2005-06, in addition to the \$963,000 in additional federal funds proposed for transportation services.

RECOMMENDATION: Staff recommends approval of the two capital outlay projects proposed by the Governor.

Staff recommends approval of additional funding for transportation services at the level proposed by the Governor, but suggests that the Subcommittee delay action on this item until May Revise so that other funding sources can be considered.

OUTCOME: Approved two capital outlay projects. (2-0)

ATTACHMENT A.**California State Auditor/Bureau of State Audits
Summary of Report 2004-108 - November 2004****California Commission on Teacher Credentialing:
It Could Better Manage Its Credentialing Responsibilities****AUDIT HIGHLIGHTS**

Our review of the credentialing process administered by the California Commission on Teacher Credentialing (commission) revealed the following:

- The commission could better evaluate the effectiveness of the programs it oversees and better measure the performance of the teacher credentialing process.
- The commission could take additional steps to improve its processing of credential applications, including focusing its customer service activities.
- Several areas of the commission's process for developing program standards lack structure and could be improved.
- The commission suspended its continuing accreditation reviews in December 2002 and is evaluating its accreditation policy, and it does not expect to present a revised policy to its governing body until August 2005.

RESULTS IN BRIEF

The California Commission on Teacher Credentialing (commission) was created in 1970 with the responsibility of ensuring excellence in education by establishing high standards for the preparation and licensing of public school educators. The commission also issues licenses and permits for school administrators and educators working in specialized teaching areas. In fiscal year 2003-04 the commission granted approximately 239,000 teacher and administrator licenses and renewals. In addition to its licensing responsibility, the commission develops program standards to address the quality of the programs that accredited colleges and universities provide to prospective teachers. The commission's other duties include adopting credential exams, accrediting colleges and universities that meet program standards, operating teacher development programs designed to help prospective teachers complete the requirements needed for a credential, and reviewing allegations of misconduct against credential holders or applicants. Our review found that the commission could make improvements to better evaluate the programs it oversees and its internal operations, more effectively manage its application processing, and refine how it updates program standards. In addition, the commission should resume its continuing accreditation reviews of colleges and universities.

The commission could increase its ability to measure the effectiveness of its teacher development programs, the efficiency of the teacher-credentialing process (process),

and the performance of its internal operations. By doing so, the commission would be able to streamline and improve its efforts. For example, its teacher development programs provide funding for individuals who do not yet meet the requirements for a teaching credential, yet the commission has not sufficiently evaluated and accurately reported on two of its three teacher development programs. As part of its oversight of the process in California, the commission has some measures of the overall health of the process. However, it could improve its analysis of those measures and could develop further measures to better track the performance of the process and of individual teacher preparation programs.

Despite the importance of strategic planning, the commission has lacked specific performance measures to guide and evaluate its efforts. Further, the commission's February 2001 strategic plan is outdated and lacks performance measures. In addition, the commission does not annually track its progress in completing the tasks it described in the strategic plan. Subsequent to our fieldwork, the commission updated the tasks in its strategic plan.

The commission has implemented some reforms of the process and is contemplating others. It has also worked to reduce the barriers to becoming a California teacher. In addition to these efforts, the commission is considering whether to consolidate the examinations that it requires prospective teachers to pass.

By focusing its customer service, better managing its workload, and taking full advantage of a new automated application-processing system, the commission could improve its processing of applications. Facing a significant volume of contacts, the commission has not taken sufficient steps to focus its customer service activities. Proper management of customer service is necessary because the large volume of telephone calls and e-mails that the commission receives takes staff away from the task of processing credential applications.

Although the commission typically processes applications for credentials in less than its regulatory processing time of 75 business days, applications go unprocessed for a significant amount of this time because staff members are busy with other duties. The commission has taken some steps to improve its process, including automating certain functions as part of its Teacher Credentialing Service Improvement Project (TCSIP), which is a new automated application processing system that the commission plans to implement in late October 2004. However, the commission has not performed sufficient data analysis to make informed staffing decisions. TCSIP offers tangible time-saving benefits, such as allowing colleges and universities to submit applications electronically and automating the commission's review of online renewals, but the commission does not plan to use either function to its full potential in the foreseeable future.

Although online renewals offer the benefit of faster and more efficient processing, the commission has not sufficiently publicized this benefit. The commission could do more to inform teachers about the benefits of online renewal by performing the data analysis

necessary to determine where the commission needs to do additional outreach and by better highlighting online renewal's availability and faster processing time.

The commission is in the midst of a 10-year process of developing program standards that comply with the requirements of Senate Bill 2042, Chapter 548, Statutes of 1998 (act). The commission does not have an overall plan to guide its efforts to finish implementing program standards or its ongoing standard-setting activities. Further, the commission's recent experiences developing program standards to meet the act's requirements offer an opportunity to evaluate how to better manage its future efforts. Our review of five sets of recently developed program standards identified areas in the commission's process for developing program standards that lack structure and could be improved. Among other issues, the commission does not use a methodical approach to form advisory panels of education professionals that assist it in developing program standards; neither does it always put in perspective the results of its field-review surveys to the commission's governing body (commissioners) when recommending standards for adoption.

Finally, the commission suspended its continuing accreditation reviews of colleges and universities in December 2002. Continuing accreditation reviews are an important component of the commission's accreditation system and help ensure that colleges and universities operate teacher preparation programs that meet the commission's standards. The commission indicated that it suspended continuing accreditation reviews to allow colleges and universities time to implement the commission's new standards and for it to evaluate its accreditation policy. Although the commission has been working with representatives from colleges and universities to evaluate its accreditation policy, it does not plan to propose a revision to the commissioners until August 2005.

RECOMMENDATIONS

To determine their success, the commission should establish performance measures for each of its teacher development programs.

To better plan and evaluate its efforts, the commission should regularly update its strategic plan and when appropriate quantify performance measures for tasks, in terms of the results it aims to achieve.

The commission should continue to consider ways to streamline the process.

The commission should improve application processing by better focusing its customer service efforts, analyzing application-processing data, requiring institutional customers to submit applications electronically to the extent that it is economically feasible, and encouraging more educators to renew their credentials online.

To improve the process by which it develops program standards for college and university teacher preparation programs, the commission should develop an overall plan to guide its efforts to fully implement the act's requirements. This plan should describe

the commission's process for developing standards and should provide more structure for that process. Further, to ensure that colleges and universities meet these program standards, the commission should promptly resume its continuing accreditation reviews.

AGENCY COMMENTS

The commission concurs with many of our recommendations, but believes that it will need changes in its statutory authority or additional funding and staffing to implement them. Moreover, the commission believes the report has significant omissions, errors, and misinterpretations. We carefully analyzed the commission's response and, although we made some minor modifications to the report text, we stand by our audit conclusions and recommendations.

ATTACHMENT B.

**Commission on Teacher Credentialing:
Budget Reduction Proposals Adopted and Considered by Commission**